

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-05
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 XMB-02
USIA-06 NSC-05 SS-15 ITC-01 /102 W
-----025194 282103Z /61

R 281911Z DEC 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 4025
INFO ALL EC CAPITALS
AMEMBASSY PARIS
AMEMBASSY WELLINGTON
USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY
PARIS ALSO FOR USOECD
WELLINGTON PASS AGATTACHE
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: NEW ZEALAND DAIRY EXPORTS TO THE EC

REF: (A) EC A-200, (B) EC A-345, (C) EC A-400

1. SUMMARY: THE SPECIAL LEVY ON UK BUTTER IMPORTS FROM
NEW ZEALAND HAS BEEN INCREASED BY 31 PERCENT, REFLECTING
THE JANUARY 1 INCREASE IN THE UK BUTTER SUPPORT PRICE .
NEW ZEALAND REPRESENTATIVES SAY THEY WILL CONTINUE TO
PRESS BILATERALLY AND IN THE MTN FOR A NEW EC IMPORT
QUOTA FOR CHEESE; THE EXISTING 15,000 TON QUOTA ENDS
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THIS YEAR. THEY FORESEE DIFFICULTIES IN MANAGING THE
1978 BUTTER IMPORT QUOTA, PARTICULARLY IN MEETING THE EC
REQUIREMENT THAT NEW ZEALAND BUTTER ACCOUNT FOR NO MORE
THAN 25 PERCENT OF DIRECT CONSUMPTION OF BUTTER IN THE
UK. END SUMMARY.

2. COMMISSION REGULATION NO. 2856/77 INCREASES THE

SPECIAL LEVY APPLICABLE TO BUTTER IMPORTS TO THE UK FROM NEW ZEALAND FROM 79.39 TO 103.86 U.A./100 KG., EFFECTIVE JANUARY 1, 1978. THE INCREASE IN THE SPECIAL LEVY REFLECTS THE INCREASE IN THE UK BUTTER SUPPORT PRICE RESULTING FROM THE LAST STEP IN ALIGNMENT WITH THE EC PRICE (REF. A). NEW ZEALAND HAS BEEN GIVEN AN IMPORT QUOTA FOR BUTTER OF 125,000 TONS IN 1978 (REF. B); HOWEVER, NO QUOTA ARRANGEMENT HAS BEEN MADE FOR CHEESE. AN IMPORT QUOTA OF 15,000 TONS OF CHEDDAR CHEESE WAS GRANTED IN 1977.

3. AN OFFICIAL IN THE NEW ZEALAND MISSION TO THE EC TOLD US THAT NEW ZEALAND WILL CONTINUE TO PRESS BOTH BILATERALLY AND IN THE MTN FOR AN IMPORT QUOTA FOR CHEESE. HE FELT THAT IT WAS ESSENTIAL THAT NEW ZEALAND RECEIVE A SUBSTANTIAL CHEESE IMPORT QUOTA IN 1978. HOWEVER, HE SAID THAT NEW ZEALAND STILL HAD 3 OR 4 MONTHS TO NEGOTIATE A QUOTA ARRANGEMENT FOR 1978. STOCKS OF NEW ZEALAND CHEESE IN THE UK ARE NOW EQUAL TO ABOUT 6 MONTHS NORMAL CONSUMPTION; THUS, MARKETING OF NEW ZEALAND CHEESE IN THE UK IN THE FIRST HALF OF 1978 WILL CONTINUE. SHIPMENTS OF CHEESE FROM NEW ZEALAND TO THE UK TAKE ABOUT 2 MONTHS.

4. THE OFFICIAL WAS HOPEFUL THAT SOME SORT OF ARRANGEMENT FOR CHEESE COULD BE WORKED OUT WITH THE COMMUNITY. HE NOTED THAT SEVERAL COMMISSION OFFICIALS, INCLUDING LIMITED OFFICIAL USE

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GUNDELACH, HAD MENTIONED THE NEED TO DO SOMETHING FOR NEW ZEALAND IN THIS AREA. HE RECOGNIZED, HOWEVER, THAT SUCH NEGOTIATIONS WILL BE DIFFICULT, ESPECIALLY AS PROTOCOL 18 OF EC ACCESSION TREATY DOES NOT PROVIDE FOR CONTINUED ACCESS FOR CHEESE.

5. THE OFFICIAL ALSO ANTICIPATED THAT THERE WOULD BE DIFFICULTIES IN MANAGING THE 1978 IMPORT QUOTA FOR NEW ZEALAND BUTTER. HE SAID THAT CLOSING STOCKS OF NEW ZEALAND BUTTER IN THE UK WERE AT A VERY HIGH LEVEL--ABOUT 70,000 TONS--AND WOULD CAUSE MARKETING DIFFICULTIES. ALSO, HE ANTICIPATED THAT THERE WOULD BE DIFFICULTY IN MEETING THE EC REQUIREMENT THAT NEW ZEALAND BUTTER ACCOUNT FOR NO MORE THAN 25 PERCENT OF DIRECT CONSUMPTION IN 1978 (REF. B). UK CONSUMPTION OF BUTTER IN 1978 IS PROVISIONALLY ESTIMATED AT 400,000 TO 410,000 TONS; THUS, NEW ZEALAND'S SHARE WOULD ONLY BE ABOUT 100,000 TONS. THIS WOULD LEAVE APPROXIMATELY 25,000 TONS TO BE DIVERTED INTO MANUFACTURING USES. HE ESTIMATED THAT THE CURRENT FOOD MANUFACTURING MARKET FOR BUTTER IN THE UK WAS ONLY ABOUT 20,000 TONS AND THAT IT WAS ALREADY BEING SUPPLIED BY UK OR EC SOURCES. THE MECHANISM FOR MOVING NEW

ZEALAND BUTTER INTO MANUFACTURING OUTLETS HAS NOT YET BEEN AGREED UPON. HOWEVER, IT APPEARS THAT SOME SORT OF DUAL LEVY SYSTEM MIGHT BE USED. THE NEW ZEALAND OFFICIAL NOTED, HOWEVER, THAT EVEN IF NO LEVY WERE APPLIED TO NEW ZEALAND BUTTER, ITS PRICE (NOW ABOUT 117 U.A./100 KG. CIF) WOULD STILL NOT BE COMPETITIVE WITH SUBSIDIZED EC PRICES FOR BUTTER USED IN THE PASTRY INDUSTRY (NOW ABOUT 88 U.A./100 KG.). THUS, HE FOUND IT DIFFICULT TO SEE HOW THE FOOD MANUFACTURING MARKET FOR BUTTER WOULD BE SIGNIFICANTLY EXPANDED.

6. THE OFFICIAL SAID THAT NEW ZEALAND WOULD BE SEEKING

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TO SECSTATE WASHDC 4026
INFO ALL EC CAPITALS
AMEMBASSY PARIS
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ANOTHER PRICE INCREASE FOR BUTTER SOMETIME IN THE SECOND HALF OF 1978. THE LAST INCREASE IN THE CIF IMPORT PRICE FOR NEW ZEALAND BUTTER (10 PERCENT) WENT INTO EFFECT OCTOBER 1, 1977 (REF. C). AT THAT TIME, IT WAS SUGGESTED THAT A FURTHER INCREASE MIGHT BE PERMITTED BY THE EC IF SOME REDUCTION IN THE QUANTITY OF NEW ZEALAND 1977 BUTTER EXPORTS WERE MADE. THE OFFICIAL SAID THAT NEW ZEALAND AND THE EC HAD BEEN UNABLE TO WORK OUT ANY SUCH "PRICE/QUANTITY DEAL." HE SAID THAT IN 1977 NEW ZEALAND WOULD HAVE BEEN WILLING TO MAKE SOME CUT IN QUANTITY SINCE THEIR QUOTA WAS 138,000 TONS. SINCE NO DEAL WAS MADE, HOWEVER, THE ENTIRE QUOTA HAS BEEN FILLED. WITH A 125,000 TON QUOTA IN 1978, THE OFFICIAL FELT THAT NEW ZEALAND

WOULD NOT BE WILLING TO MAKE ANY CUT IN THE QUOTA IN
EXCHANGE FOR HIGHER PRICES. HINTON

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